APPENDIX B

GUIDANCE FOR CONDUCTING COST-COMPARISON STUDY

A. <u>General</u>

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- 1. This Appendix provides guidance for conducting the cost comparison study required by Chapter 3, section 3-3.
- 2. Provisions of vehicle leases vary depending on whether a vehicle is leased from the GSA or a commercial leasing firm, and on the types of vehicles being leased. For this reason, the cost comparison should compare the cost of acquiring, operating, and maintaining a DoD Component, owned vehicle, a GSA-leased vehicle, and a vehicle leased from a commercial source. Procedures for determining aggregate monthly costs for each of these three methods of vehicle support are outlined in paragraphs B. through D. below.
- B. <u>DoD Component-Owned Vehicle</u>. The cost associated with this method of vehicle support includes the following cost elements:
- 1. Acquisition cost expressed by a monthly amortization factor. This factor can be determined by subtracting the residual value of the vehicle at the end of its economic life from its acquisition price and dividing the remainder by the number of months in its economic life. GSA has developed standard amortization factors for different types of vehicles that can be used for this cost element. Information on these factors can be obtained from the GSA Fleet Management Center that services the installation or from the GSA Fleet Management Division, Washington DC, 20406, telephone: (202) 305-6278.
- 2. Direct and indirect costs associated with the operation and maintenance of the vehicle. Included are fuel costs, cost for repair parts, commercial repairs, supplies, and labor used in maintaining and/or repairing a vehicle, and indirect overhead costs associated with vehicle support. Historical records, to include SF 82 report data, should be used to identify these costs, and these costs should be prorated on a monthly basis. If the indirect overhead costs cannot be accurately identified, a factor of \$15 per vehicle per month can be used to estimate these indirect costs. This equals one half of the factor used by GSA. The total GSA factor should not be used since some overhead costs will continue to exist for the DoD Component even if leasing is pursued.
- C. <u>GSA-Leased Vehicles</u>. The costs associated with this method of vehicle support include a standard monthly rate for each type of vehicle, and a mileage charge that varies by vehicle type and GSA region. Rates and charges can be obtained from the GSA Fleet Management Center servicing the installation or from the GSA Fleet Management Division at the location indicated in subsection B.I., above. Since GSA charges include the cost of fuel, maintenance, and replacement, no additional costs have to be included unless auxiliary equipment is requested.
- D. <u>Commercially-Leased Vehicles</u>. The provisions in commercially-leased contracts may vary. As a minimum, this method of vehicle support should include quoted monthly lease charges plus any mileage charges that may be a part of the lease rate. In addition, 4 percent of the total estimated monthly lease charges should be included to account for the government's cost of administering the lease contract. If fuel costs are not included in the lease charge, these costs

should be added. Any maintenance costs not included in the leased costs should be added.

E. <u>Summary.</u> After determining the monthly aggregate cost for each method of vehicle support, these costs should be compared to determine the cost-effective method of vehicle support.

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